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ABSTRACT

Five strategies have been identified as particularly promising as the most useful ways government can spend money to aid dislocated workers. The mix of income support programs can be enriched for workers who have been unemployed for a long time but who are not permanently dislocated. For most dislocated workers, only limited job searching assistance should be provided to help them to find their own employment. One currently fashionable mode of such assistance is the job club, a temporary alliance of job seekers who meet regularly to provide aid and mutual reinforcement. High school level basic education should be offered to all undereducated, unemployed adults. When providing skill training, it should be targeted on shortage occupations, not on dislocated workers. Already-employed workers with somewhat higher skill levels than most dislocatees can be trained to move into new, emerging occupations and thus create job vacancies dislocated workers could fill. Financial barriers to workers seeking training should be removed. Unemployment compensation should not be withdrawn during participation in training, and financial aid for tuition, fees, and books should be made available. (YLB)

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REEMPLOYING DISLOCATED WORKERS--
FIVE STRATEGIES FOR PENNSYLVANIA

A Statement Before the House of Representatives
Committee on Appropriations, Legislature of the
Commonwealth of Pennsylvania

March 9, 1983

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Mr. Chairman and members of the Committee: I want to thank you for this opportunity to appear before you to discuss the pressing problems of Pennsylvania's dislocated workers. I am Dr. Marc Bendick, Jr., an economist with The Urban Institute, which is a nonprofit public policy research center in Washington, D.C. I have devoted the past three years to studying the problems of unemployment among workers from declining industries and searching for the most useful ways government can spend money in aiding them.

Today, I would like to share with you five strategies that search has identified as particularly promising, and I hope that you will seriously consider these strategies for implementation in Pennsylvania. At the same time, in the course of explaining the rationale for these five proposals, I will present some information on the workings of the labor market which should be taken into account in designing whatever policies you adopt.

Let me briefly discuss each of these five strategies in turn.

Strategy One: Enrich the Mix of Income Support Programs for Workers Who Have Been Unemployed a Long Time But Who are Not Permanently Dislocated.

Reading the popular press, one is led to believe that worker dislocation--in the sense of the permanent disappearance of jobs from which workers are laid off--is epidemic in the American labor force. There is no doubt that in specific labor markets undergoing large-scale plant shrinkages or shutdowns--including more than a few in Pennsylvania--there are local epidemics of such permanent dislocation. And nationwide, my own estimates are that there are at least several hundred thousand workers who are currently unemployed, whose old jobs have permanently disappeared, and who have not been readily absorbed by other job openings.¹

But these several hundred thousand permanently dislocated workers comprise only one or two percent of the nation's nearly 12 million current unemployed. They even account for only about 10 percent of the total unemployed in their own industries and occupations. These cases of permanent changes in employment are occurring within a context of a very prolonged, very deep recession in the economy, combined with a sustained era of extraordinarily high interest rates. It is these cyclical macroeconomic factors--recession and high interest rates--which have put the majority of the 12 million unemployed out on the streets, not structural factors such as changing international trade or new technology. And when, slowly and painfully, we pull our national economy back out of this recession, the majority of the unemployed will go back to the jobs and the industries from which they came, or to very similar ones. This is predominantly true even in manufacturing and even in Pennsylvania.

My point here, of course, is not that the Commonwealth of Pennsylvania should ignore the needs of its permanently dislocated unemployed. Rather, it is that programs (such as skill retraining) which are designed on the assumption that a worker needs to prepare for an entirely new job should be planned for only a minority of the state's unemployed, and for only a minority of the currently unemployed even from declining manufacturing industries. When job transition resources are being allocated, they should be tightly targeted on the relatively small number of permanently displaced.²

The remaining population of the unemployed--those not permanently displaced--also have assistance needs which state action can address. But those needs do not revolve around job transition. Rather, they are needs

for income support until their prior employment opportunities once again become available. Unemployment insurance (UI) is the major source of such support, backed up Supplemental Unemployment Benefits (SUB) in some industries, Trade Adjustment Assistance (TAA), General Assistance, Food Stamps, and Aid to Families with Dependent Children (AFDC). But because of the depth and duration of this recession, quite a number of UI recipients in Pennsylvania have exhausted their benefits. Other families are still receiving benefits but are slowly losing their battle to stay solvent because UI and other benefits replace only part of their former wages.

I do not have enough knowledge of specific proposals being considered in Pennsylvania to recommend whether or not they should be adopted in their current forms. But I can say that proposals to assist the unemployed by extending health insurance coverage to them or to provide loan funds to avoid mortgage foreclosures are examples of exactly the sort of useful assistance I am calling for. Temporary public service jobs--on the model of the now defunct CETA Title VI Public Service Employment Program³--would also help this target group, particularly if eligibility were carefully restricted to persons who have exhausted their UI benefits but who have good eventual reemployment prospects in their prior jobs or occupations.

Strategy Two: For Most Dislocated Workers, Provide Only Limited Job Search Assistance to Facilitate Their Finding Their Own Reemployment.

Again our starting point in understanding this strategy must be the often-misleading impression given in the popular press. There, much has been written about skill retraining as the necessary link to close the gap between the low-skilled unemployed and the glamorous "high tech" jobs which are going begging for applicants. While some workers do leave the ranks of

the unemployed by this route, it is not realistic to envision this as the appropriate path for most of Pennsylvania's dislocated workers. For one thing, skill retraining, particularly for high skill jobs, can be very expensive per worker served, taking a year or more and costing a great deal per trainee-week. But, more importantly, a great many dislocated workers prove capable of making their own labor market readjustments without such expensive assistance. Some of these workers bring to the labor market readily-transferable job skills; others enter training programs provided by new employers; and others--perhaps the majority--enter jobs that have no high skill requirements.

While skill training is, thus, not necessary for the reemployment of the majority of dislocated workers, assistance and training in the job search process typically is. There is, of course, wide variation among dislocated workers, as in any large population, of the level of job search skills and resources which individuals possess. But a substantial proportion of such workers have, prior to becoming dislocated, enjoyed long tenure with one employer. Their job search skills, which may never have been extensive, are therefore often rusty from disuse. Additionally, the experience of becoming unemployed after an extended period of job stability is emotionally traumatic for many workers, making various forms of encouragement potentially important in overcoming lethargy. Finally, many dislocated workers become unemployed as part of plant closures or mass layoffs or in a locale of general economic decline. In such circumstances, run-of-the-mill types of job search approaches--such as asking friends and relatives or checking for postings at local plant gates--may be inadequate, whereas they might have sufficed in more favorable circumstances.

At the level of the individual worker, one currently-fashionable mode for providing transition services which addresses these problems is the "job club."⁴ A job club is a temporary alliance of job seekers who meet regularly to provide aid and mutual reinforcement to each individual's job search.

The operating mode of a job club typically includes the following elements.

- o A membership of no more than 25;
- o Regular meetings for substantial amounts of time (e.g., half a day three times per week);
- o Explicit training on specific job search and self-presentation skills (e.g., resume writing, interview techniques); extensive use of practical exercises and role-playing in this training;
- o Provision of job search materials and facilities (newspaper want ads, telephones) for actual job-seeking during the meetings; and
- o An atmosphere of peer pressure and support for a sustained level of search activity.

In short, the job club is a mechanism for encouraging and assisting individuals to work hard and effectively in making their own reemployment transitions; they do not operate on the principle of a formal labor market intermediary institution finding jobs for them.

Such an approach tends to be cost-effective both because it costs relatively little per client served and because it provides only the relatively minimal level of transition assistance many dislocated workers require. Sponsorship of job clubs or similar relatively inexpensive job search assistance mechanisms is one useful way for Pennsylvania to expend funds to be made available under Title III (the dislocated worker title) of the new Job Training Partnership Act.

It may seem unrealistic to some of you, glancing at the 15 percent or even 20 percent unemployment rates in some of Pennsylvania's communities, to think that such minimal levels of assistance will be all that is required. But I ask you to remember what I said earlier in this testimony about the depth and duration of the national recession. When cyclical unemployment rates come down, then many of Pennsylvania's dislocated workers can successfully make a job transition with only minimal and inexpensive government assistance. Until those rates came down, it is more appropriate to emphasize income support activity--such as I have outlined in my first strategy--than more expensive but often inappropriate assistance such as overinvestment in skill retraining.

Strategy Three: Offer High School Level Basic Education to All Undereducated Unemployed Adults.

Whether an unemployed person has been displaced from a declining industry or not, one of the greatest handicaps he can bring to the job market is the inability to read, to write, to speak English, or to perform basic computations. Functional illiterates do not make safe employees, if they cannot read machine operating instructions. They make mistakes through ignorance. They do not make flexible, attractive trainees. And a surprising number of dislocated workers--particularly those coming from declining manufacturing industries and particularly those who have trouble becoming reemployed--carry these handicaps. My own estimates of the dislocated worker population nationwide suggest that perhaps one-third have never graduated from high school, and another one-third have their diplomas but could not currently function at a high school graduate skill level.

One of the most useful investments the Commonwealth of Pennsylvania could make in its workforce would be to offer to every unemployed individual who cannot currently function at the skill level of a high school graduate the opportunity to acquire these skills (and to acquire a high school diploma if he does not already possess one). This offer should, I believe, include two elements:

- o The availability of an adult school--tuition free, locationally accessible, and designed to serve midcareer adults who are often not comfortable in a traditional classroom setting;⁵ and
- o an income maintenance stipend, at the level offered by unemployment compensation, while receiving this training.

I also believe that it makes sense to extend this offer to all unemployed persons, regardless of whether they are dislocated from a declining industry or are unemployed from some other background. This is so because, to me, the objective of public employment and training policy in Pennsylvania should be to reduce unemployment and low wages whenever it is concentrated, and there is no greater single concentration than among those lacking basic education. But remember that, as I said a few minutes ago, a good many dislocated workers will be found within this group.

Strategy Four: When Providing Skill Training, Target it on Shortage Occupations, not on Dislocated Workers.

With this strategy, we come at last to the subject on everybody's lips, skill retraining. The popular press widely suggests that not only is this the magic solution to the problems of all dislocated workers. It also pictures a process in which this training typically converts, say, a 45 year old assembly line worker with an 11th grade education into a robot repair technician. This picture is misleading in many important ways.

First, it implies that the job composition of the economy is changing faster than it really is. New production technology, such as robotics, diffuse slowly enough so that most midcareer workers can finish out their careers in essentially similar types of occupations to the ones they hold now, and most skill shortage slots can be filled by newly trained younger employees.⁶ Similarly, the economic base of a state or region also changes quite slowly. The vast majority of new jobs which will be created in the Commonwealth of Pennsylvania over the next decade will not be in "high tech" industries such as genetic engineering or microelectronics but rather in manufacturing and assembly industries such as have been traditionally dominant, or in service industries without extraordinary skill prerequisites. Midcareer retraining for dislocated workers would then logically focus on relatively short courses which move workers more or less laterally, that is, to a different job in manufacturing but one at a skill level not very much higher than their previous jobs. Much of this sort of training is so machine-specific and job-specific that it is typically provided by new employers, rather than requiring public training activities at all.⁷ To the extent that the Commonwealth does provide this sort of training, its Customized Job Training Program provides a vehicle for this purpose.

However, ironic as it may seem, one of the most useful ways in which Pennsylvania could spend training resources is not on lower skilled dislocated workers per se but on already-employed workers who already possess somewhat higher skill levels than most dislocatees. If the Commonwealth provided training opportunities for these latter workers to move into new, emerging occupations, then their leaving would create job vacancies which could reasonably be filled--with relatively modest

training--by the dislocated workers. It makes sense to envision a comprehensive state training strategy in which skill gaps between the unemployed and the new high-skilled jobs are not closed by profoundly transforming a single worker but via a chain of training and job changes involving several workers who each move just one step up the skill ladder.

That is why I would urge you to consider creation of state training programs focusing on "bottleneck" occupations in short supply. These programs should be open to workers whether they are unemployed or not; and the very best applicants should be enrolled, with no preference given to the unemployed or the dislocated. After all, it does not really matter to an unemployed person whether he becomes reemployed in a "new" job slot or a slot recently vacated by someone else's moving up.

Strategy Five: Remove Financial Barriers to Workers Seeking Training.

This final strategy concerns removing a barrier to the labor market adjustment process which the public sector has itself created. In Pennsylvania, as in nearly all the rest of the nation, unemployment compensation is available only to those workers who are "available for work," and a person enrolled in full-time training is judged not available. An unemployed individual interested in training for a new occupation either must wait until his unemployment compensation eligibility is exhausted, or he must give up the wage replacement income on which he is depending. Understandably, this situation reduces or delays the participation of many workers in training which would materially assist their reemployment. The Commonwealth of Pennsylvania should alter its unemployment compensation system to remove this significant financial barrier to training. The State of California has done so and provides a model of how it can be done.

A second financial barrier faced by many unemployed individuals seeking retraining is the out-of-pocket costs of tuition, fees, and books. While these costs often are not huge, particularly at public vocational-technical schools or community colleges, even a few hundred dollars can represent an unobtainably large amount in the financially strapped households of many of the unemployed. The Commonwealth of Massachusetts has recently reacted to this situation by offering free tuition at any state institution of post-secondary education to any unemployed person. The Commonwealth of Pennsylvania may wish to consider a similar policy.

Conclusion

In conclusion, Mr. Chairman, let me observe that of the five strategies which I have presented to you today, only one is framed in terms of a target group of dislocated workers per se. That one is strategy two, to provide a relatively low level of special job search training and assistance in locales immediately following a mass layoff or plant closure. The other four suggestions took as their target groups the long term unemployed who are not permanently dislocated, all unemployed functional illiterates, employed and unemployed workers willing to retrain for shortage occupations, and all recipients of unemployment compensation seeking training.

Such suggestions are not motivated by my believing that dislocated workers don't exit or that they don't need help from the Commonwealth's employment and training programs. Rather, they are motivated by a desire to focus that help in the most useful, cost-effective ways. Because the labor market is a complex, interacting system, sometimes the best way to

get rid of an itch is to scratch somewhere other than the itch itself.
That seems largely to be the case with Pennsylvania's dislocated workers.

Footnotes

¹For estimates of the extent and characteristics of the dislocated worker population, see Marc Bendick, Jr., and Judith Devine, "Workers Dislocated by Economic Change: Do They Need Federal Employment and Training Assistance?" in Seventh Annual Report: the Federal Interest in Employment and Training (Washington, D.C.: National Commission for Employment Policy, 1981), pp. 175-226.

²Such targeting is not easy to achieve. For example, the Trade Adjustment Assistance Program at one point was estimated to have paid 70 percent of its benefits to workers who subsequently returned to the same jobs they had (supposedly) permanently lost.

³On the Public Service Employment program, see Marc Bendick, Jr., "Employment, Training, and Economic Development" in John Palmer and Isabel Sawhill (eds.) The Reagan Experiment (Washington, D.C.: The Urban Institute Press, 1981).

⁴On job clubs, see Marc Bendick, Jr., "The Role of Public Programs and Private Markets in Reemploying Workers Dislocated by Economic Change," Policy Studies Review (forthcoming 1983). The Canadian government has developed an innovative agency, called the Manpower Consultative Service (MCS) which provides an excellent model for short-term, relatively inexpensive intervention into a local labor market in distress. The MCS is described in Bendick, The Role of..., pp. 26-27, and in Michael C. Barth and Fritzie Reisner, Worker Adjustment to Plant Shutdowns and Mass layoffs (Washington, D.C.: I.C.F., Inc., 1981), chapter 4.

⁵For some ideas on how to run a training program so that midcareer workers feel comfortable in it, see Marc Bendick, Jr., "The Swedish 'Active Labor Market' Approach to Reemploying Displaced Workers," Journal of Health and Human Resources Administration (forthcoming 1983).

⁶See H. Allan Hunt and Timothy L. Hunt, Robotics: Human Resource Implications for Michigan, (Kalamazoo, Michigan: Upjohn Institute for Employment Research, 1982).

⁷For a discussion of what sorts of training private employers willingly provide and what the public sector must provide to supplement private efforts, see Marc Bendick, Jr., and Mary Lou Egan, Recycling America's Workers: Public and Private Approaches to Midcareer Retraining (Washington, D.C.: The Urban Institute, 1982).

⁸In fact, the ultimate dislocated worker in Pennsylvania is not the 55 year old manufacturing assembler, who may well be called back to his old job, but his 18 year old son who will find no entry-level job openings in the plant. Therefore, in the long run, Pennsylvania must strengthen its education and training systems for youth just entering the labor market, as well as for disadvantaged workers not part of the mainstream labor market. Much of the "job shortage" will be displaced onto them.